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October 6, 2000

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

VIA COURIER

Magalie Roman Salas, Esq.
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Attention: Deputy Chief, Common Carrier Bureau

Re: *Implementation of the Subscriber Carrier Selection Changes Provisions of the
Telecommunications Act of 1996, CC Docket No. 94-129 -/*
Petition of McLeodUSA Telecommunications Services, Inc. for Waiver

Dear Ms. Salas:

McLeodUSA Telecommunications Services, Inc. ("McLeod"), by its undersigned counsel, respectfully submits the attached petition for a limited waiver of the Commission's rules governing implementing changes to a subscriber's preferred carrier, as set forth at 47 C.F.R. §§ 64.1000 through 64.1190, and the relevant Commission Orders, to the extent necessary to permit McLeod to transfer customers presubscribed to certain other carriers to McLeod without first obtaining each subscriber's authorization and verification.

An original and four (4) copies of this letter and Petition are enclosed for filing with the Commission. Please date-stamp and return the enclosed extra copy of this filing and return it in the attached self-addressed envelope.

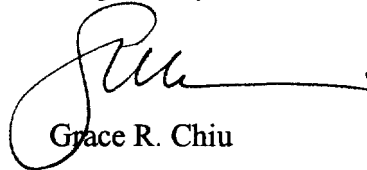
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Magalie Roman Salas, Esq.
October 6, 2000
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Should you have any questions regarding this matter, please do not hesitate to contact me.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Grace R. Chiu', with a long horizontal flourish extending to the right.

Grace R. Chiu

Counsel for
McLeodUSA Telecommunications Services, Inc.

Enclosure

cc: Michele Walters (FCC)
Will Cox (FCC)
David. R. Conn (McLeod)
William A. Haas (McLeod)
Michael G. Donohoe (CCC)
Andrew D. Lipman (w/o encl.)

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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| In the Matter of |) | |
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| Implementation of the Subscriber Carrier |) | |
| Selection Changes Provisions of the |) | |
| Telecommunications Act of 1996 |) | CC Docket No. 94-129 |
| |) | |
| McLeodUSA Telecommunications |) | |
| Services, Inc. Petition for Waiver |) | |

PETITION FOR WAIVER

I. INTRODUCTION

McLeodUSA Telecommunications Services, Inc. ("MTS" or "Petitioner"), by its undersigned counsel, respectfully requests that the Commission grant MTS a limited waiver of the Commission's rules, 47 C.F.R. §§ 64.1100 through 64.1190 (1999), and relevant Commission orders applicable to the submission of changes in a subscriber's preferred carrier (collectively, hereafter, "Rules"). MTS seeks a waiver of the Commission's Rules to the extent necessary to allow MTS to be designated the preferred carrier for customers currently presubscribed to CapRock Telecommunications Corp. ("CTC") and IWL Communications, Inc. ("IWL") without first obtaining each customer's authorization and verification.¹ MTS respectfully requests expedited treatment of this Petition to permit the transfer of these customers to MTS by November 30, 2000.

¹ The transfer of CTC and IWL customers to MTS will follow the acquisition of CTC and IWL by MTS's parent, McLeodUSA Incorporated. The proposed customer base transfer is part of McLeodUSA Incorporated's overall plan to consolidate the operations of its operating subsidiaries.

The Commission has consistently granted requests for waiver of its Rules where, in the absence of a waiver, customers might suffer loss of service or be charged substantially higher rates.² As set forth below, the circumstances that compel MTS to seek the instant waiver are substantially similar to those found by the Commission in previous cases to warrant a limited waiver of its Rules. In addition, the steps MTS plans to take to protect the rights of affected customers (including a two-step customer notification process and a commitment to address customer complaints, as described below) are consistent with conditions imposed by the Commission in previous cases where a waiver has been granted. Accordingly, for the reasons set forth herein, MTS submits that special circumstances exist to justify a waiver of the Rules and that grant of such waiver will serve the public interest.

In support of this Petition, MTS states as follows:

II. THE PETITIONER

McLeodUSA Telecommunications Services, Inc. ("MTS") is a competitive provider of integrated telecommunications services to business and residential customers in the Midwestern and Rocky Mountain states. MTS is authorized to provide competitive local exchange services in 20 states and intrastate interexchange telecommunications services in all states except Alaska and Hawaii, pursuant to certification, registration or tariff requirements or on a deregulated basis. MTS is also authorized to provide interstate interexchange and international telecommunications services (the latter pursuant to Section 214 authorization granted by this Commission).

² See footnote 5, *infra*.

MTS is a wholly owned subsidiary of McLeodUSA Incorporated ("McLeod"), a diversified telecommunications company that provides a broad range of products and services through its operating subsidiaries.³ McLeod recently entered into an agreement to merge with CapRock Communications Corp. ("CCC") and acquire control of CCC's operating subsidiaries, CapRock Telecommunications Corp. ("CTC") and IWL Communications, Inc. ("IWL"). CTC and IWL are authorized to provide competitive local exchange, intraLATA toll, interLATA interexchange, and/or international telecommunications services to presubscribed customers in over 40 states. Following consummation of the merger, CCC will become a direct subsidiary of McLeod while CTC and IWL will become indirect subsidiaries of McLeod (CTC and IWL, collectively following the merger, "McLeod Subsidiaries," and each, individually, a "McLeod Subsidiary").

III. REQUEST FOR WAIVER OF THE COMMISSION'S RULES

For corporate reasons related to the cost, complexity and inefficiency of operating separate corporate subsidiaries that provide similar competitive telecommunications services, McLeod has determined to consolidate the operations of MTS and the McLeod Subsidiaries by transferring the local and long distance customer base of each McLeod Subsidiary to MTS. To effectuate the consolidation, the McLeod Subsidiaries will transfer their customer accounts to MTS. Following the consolidation, MTS intends to provide these customers the same services they currently receive from the McLeod Subsidiaries, at the same rates, and terms and conditions of service that they currently enjoy.

³ The services of McLeod primarily include local and long distance telecommunications services, telecommunications network maintenance services and telephone equipment sales, service and installation, private line and data services, the sale of advertising space in telephone directories, the operation of an independent local exchange carrier, and telemarketing services.

Given the likelihood that some customers may fail to respond to communications from the McLeod Subsidiaries advising them of the consolidation and requesting their authorization to transfer the account to MTS (which could result from customers simply neglecting to mail their response or failing to understand that their written authorization is necessary), MTS submits that it may not be able to obtain the required authorization and verification for each and every customer prior to the transfer. If the transfer were to occur without a waiver, MTS submits that some customers might temporarily lose service or be charged substantially higher rates than those that MTS will charge following the consolidation. To avoid putting these customers at risk of losing service or of being charged substantially higher rates, MTS seeks a waiver of the Commission's Rules to allow MTS to become the preferred carrier for these customers without first obtaining each customer's authorization and verification.

Consistent with customer notification plans previously approved and made a condition of a grant of waiver by the Commission, MTS will implement a two-step process to notify affected customers of the proposed consolidation and assure that these customers' rights are adequately protected. Specifically, MTS and the McLeod Subsidiaries will send a letter to each subscriber of the McLeod Subsidiaries which will: (1) notify them of the assumption of their service by MTS; (2) assure them that no charge or rate increase will be imposed as a result of the transition; (3) advise them that they are free to change preferred carriers and that, if they decide to do so within 30 days of the transfer date, MTS will reimburse them for the carrier change charge, if any, imposed by the local exchange carrier; and (4) inform them that they may contact MTS via a toll-free number with any questions regarding the transfer of their account to MTS. MTS will also amend its applicable FCC tariffs to include the service offerings of the McLeod Subsidiaries and the associated rates,

terms and conditions of service. Following the consolidation, MTS will send another notification letter welcoming these customers to MTS and reiterating the information provided in the first letter. Attached hereto as Exhibit A are copies of the letters that will be sent to affected customers of the McLeod Subsidiaries before and after the transfer.

Additionally, if the Commission grants this petition for waiver, MTS agrees to investigate and attempt to resolve any outstanding customer complaints that may have been made against any McLeod Subsidiary prior to the transfer date and to address all customer inquiries and complaints after the transfer date. MTS submits that its proposed notification process and commitment to address customer complaints will adequately safeguard the rights of customers to be transferred from the McLeod Subsidiaries to MTS.

IV. SPECIAL CIRCUMSTANCES EXIST THAT WARRANT GRANT OF A WAIVER OF THE COMMISSION'S RULES

Waiver of the Commission's Rules is appropriate if special circumstances warrant a deviation from the general rule and such deviation will serve the public interest.⁴ Where, in the absence of a waiver, customers might suffer disruption in service or be charged substantially higher rates, the Commission has consistently found that special circumstances exist to warrant a waiver of its Rules, and that grant of such waiver would serve the public interest.⁵ The Commission has concluded that,

⁴ *WAIT Radio v. FCC*, 418 F.2d 1153, 1159 (D.C. Cir. 1969).

⁵ See the following Orders issued in *Implementation of Subscriber Carrier Selection Changes Provisions of the Telecommunications Act of 1996*, CC Docket No. 94-129, granting waiver of the Commission's authorization and verification requirements to: (1) International Exchange Communications, Inc. ("IE Com") (rel. May 3, 2000) (transfer of customers pursuant to asset purchase); (2) One Call Communications, Inc. d/b/a Opticom (rel. May 2, 2000) (transfer of customers pursuant to asset purchase); (3) IE Com (rel. Mar. 31, 2000) (transfer of customer bases pursuant to separate asset purchase agreements with multiple carriers); (4) Iowa Telecommunications Services, Inc. (rel. Dec. 21, 1999) (transfer of
(continued...)

under these circumstances, a limited waiver of its Rules is necessary to provide a seamless transition with no disruption of service.

The special circumstances found by the Commission to justify a waiver of its Rules are present in the proposed consolidation of MTS and the McLeod Subsidiaries. As stated above, given the likelihood that some customers may fail to respond to communications from the McLeod Subsidiaries advising them of the consolidation and requesting their authorization to transfer the account to MTS, MTS may not be able to obtain the required authorization and verification for each customer prior to the transfer. If the transfer were to occur without a waiver, some customers might temporarily lose service or be charged substantially higher rates than those that MTS will charge following the consolidation. Grant of the requested waiver is necessary to avoid putting these customers at risk of losing service or of being charged substantially higher rates.

As described above, MTS will implement a two-step notification process to assure that affected customers are adequately notified of the change in their preferred carrier. MTS, moreover, agrees to investigate and attempt to resolve any outstanding customer complaints that may have been made against any McLeod Subsidiary prior to the transfer date and to address all customer inquiries and complaints after the transfer date. MTS submits that these safeguards will adequately protect the rights of customers to be transferred from the McLeod Subsidiaries to MTS.

⁵(...continued)

customers pursuant to acquisition); (5) Conversent Communications, Inc. (rel. Dec. 21, 1999) (transfer of customer base pursuant to asset purchase); (6) IE Com (rel. Sept. 10, 1999) (transfer of customer base pursuant to asset purchase); (7) MCI WorldCom, Inc. (rel. Aug. 6, 1999) (transfer of customer accounts pursuant to purchase agreement); and (8) Sprint Communications Company, L.P. (rel. June 17, 1999) (transfer of customer base after dissolution of joint venture with another carrier); (8) CoreComm (rel. May 13, 1999) (transfer of customer base pursuant to bankruptcy plan).

Commission waiver of its Rules will permit MTS to effectuate a seamless transfer of customers from the McLeod Subsidiaries to MTS without risk of loss of service to customers or the imposition of substantially higher rates and charges. Grant of the requested waiver, therefore, will serve the public interest.

V. CONCLUSION

WHEREFORE, McLeodUSA Telecommunications Services, Inc. respectfully requests that the Commission grant a limited waiver of the authorization and verification requirements of the Commission's Rules, 47 C.F.R. §§ 64.1100 through 64.1190, and relevant Orders to the extent necessary to permit MTS to become the preferred carrier of customers presubscribed to the McLeod Subsidiaries without first obtaining each customer's authorization and verification. For the reasons stated herein, grant of this Petition will serve the public interest.

Respectfully submitted,

McLEODUSA TELECOMMUNICATIONS
SERVICES, INC.

By:



Grace R. Chiu
Brett P. Ferencak

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(202) 424-7645 (Fax)

Its Counsel

Date: October 6, 2000

EXHIBIT A

NOTICE LETTERS TO AFFECTED CUSTOMERS

NOTE:

Regarding the attached notice letters, MTS will determine and insert the toll free number prior to mailing these letters to affected customers.



Dear CapRock Customer:

The CapRock family of companies is in the process of being acquired by McLeodUSA. In an effort to make business processes simpler and better for our customers, McLeodUSA plans to legally consolidate certain operations when this acquisition is completed. After this happens, your preferred telecommunications service carrier will be McLeodUSA Telecommunications Services, Inc., instead of CapRock.. Telecommunications services formerly provided to you by CapRock will now be provided by McLeodUSA Telecommunications Services, Inc., unless you exercise the option stated below.

Please be assured you will not experience any increases in charges or rates as a result of this acquisition. You will receive the same terms and conditions of service that you currently enjoy.

Throughout this process, you may opt to change your preferred service carrier. If you decide to switch your service to another preferred telecommunications service carrier within the first 30 days after the acquisition, McLeodUSA will reimburse you for any carrier change charge imposed by the local exchange carrier. When the acquisition is completed, you will receive a second letter about this process; and you will have 30 days from the date of that letter to switch your service to receive the reimbursement.

If you have any questions or concerns about the transfer of your account to McLeodUSA Telecommunications Services, Inc., or any other matters, please feel free to call our toll-free Customer Care number at 1-800-xxx-xxxx. Our representatives are available to answer your questions. McLeodUSA appreciates the opportunity to provide you service.



[Insert date here]

Dear McLeodUSA Customer:

You recently received a letter letting you know that, in an effort to make our business processes simpler and better for our customers, McLeodUSA would transfer your service from its newly-acquired CapRock group (your previous service provider) to McLeodUSA Telecommunications Services, Inc. After this happens, your preferred telecommunications service carrier will be McLeodUSA Telecommunications Services, Inc., instead of CapRock. Telecommunications services formerly provided to CapRock will now be provided by McLeodUSA Telecommunications Services, Inc., unless you exercise the option stated below.

Please be assured you will not experience any increases in charges or rates as a result of this acquisition. You will receive the same terms and conditions of service that you currently enjoy.

You may now opt to change your preferred telecommunications service carrier. If you decide to switch your service to another carrier within 30 days of the date this notice was mailed, McLeodUSA will reimburse you for any carrier change charge imposed by the local exchange carrier for the switch.

If you have any questions or concerns about the transfer of your account to McLeodUSA Telecommunications Services, Inc., or any other matters, please feel free to call our toll-free Customer Care number at 1-800-xxx-xxxx. Our representatives are available to answer your questions. McLeodUSA appreciates the opportunity to provide you service.